




DELBERT HOSEMAN
Secretary of State

ECONOMIC IMPACT STATEMENT

An Economic Impact Statement is required for this proposed rule by Section 25-43-3.105 of the Administrative Procedures Act. An Economic Impact Statement must be attached to this Form and address the factors below. A PDF document containing this executed Form and the Economic Impact Statement must be filed with any proposed rule, if required by the aforementioned statute.

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| AGENCY NAME Public Service Commission | CONTACT PERSON Katherine Collier | | TELEPHONE NUMBER 601-961-5405 |
| ADDRESS P.O. Box 1174 | CITY Jackson | STATE MS | ZIP 39125 |
| EMAIL Katherine.Collier@psc.state.ms.us | DESCRIPTIVE TITLE OF PROPOSED RULE Interconnection and Net Metering Joint Rules | | |
| Specific Legal Authority Authorizing the promulgation of Rule: Miss. Code Ann. § 77-3-45 | | Reference to Rules repealed, amended or suspended by the Proposed Rule: NONE | |

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| SIGNATURE  | TITLE Executive Secretary |
| DATE 4/13/15 | PROPOSED EFFECTIVE DATE OF RULE 30 days after adoption of final rule |

1. Describe the need for the proposed action: *See Economic Impact Statement attached hereto as Exhibit "A."*
2. Describe the benefits which will likely accrue as the result of the proposed action: *See Economic Impact Statement attached hereto as Exhibit "A."*
3. Describe the effect the proposed action will have on the public health, safety, and welfare: *See Economic Impact Statement attached hereto as Exhibit "A."*
4. Estimate the cost to the agency and to any other state or local government entities, of implementing and enforcing the proposed action, including the estimated amount of paperwork, and any anticipated effect on state or local revenues: *See Economic Impact Statement attached hereto as Exhibit "A."*
5. Estimate the cost or economic benefit to all persons directly affected by the proposed action: *See Economic Impact Statement attached hereto as Exhibit "A."*
6. Provide an analysis of the impact of the proposed rule on small business: *See Economic Impact Statement attached hereto as Exhibit "A."*
 - a. Identify and estimate the number of small businesses subject to the proposed regulation: *See Economic Impact Statement attached hereto as Exhibit "A."*

- b. Provide the projected reporting, recordkeeping, and other administrative costs required for compliance with the proposed regulation, including the type of professional skills necessary for preparation of the report or record: *See Economic Impact Statement attached hereto as Exhibit "A."*
- c. State the probable effect on impacted small businesses: *See Economic Impact Statement attached hereto as Exhibit "A."*
- d. Describe any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation including the following regulatory flexibility analysis:
 - i. The establishment of less stringent compliance or reporting requirements for small businesses;
 - ii. The establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses;
 - iii. The consolidation or simplification of compliance or reporting requirements for small businesses;
 - iv. The establishment of performance standards for small businesses to replace design or operational standards required in the proposed regulation; and
 - v. The exemption of some or all small businesses from all or any part of the requirements contained in the proposed regulations: *See Economic Impact Statement attached hereto as Exhibit "A."*
- 7. Compare the costs and benefits of the proposed rule to the probable costs and benefits of not adopting the proposed rule or significantly amending an existing rule: *See Economic Impact Statement attached hereto as Exhibit "A."*
- 8. Determine whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rule where reasonable alternative methods exist which are not precluded by law: *See Economic Impact Statement attached hereto as Exhibit "A."*
- 9. Describe reasonable alternative methods, where applicable, for achieving the purpose of the proposed action which were considered by the agency: *See Economic Impact Statement attached hereto as Exhibit "A."*
- 10. State reasons for rejecting alternative methods that were described in #9 above: *See Economic Impact Statement attached hereto as Exhibit "A."*
- 11. Provide a detailed statement of the data and methodology used in making estimates required by this subsection: *See Economic Impact Statement attached hereto as Exhibit "A."*

Economic Impact Statement: Interconnection and Net Metering Joint Rules

Christopher Garbacz, Ph.D.

Director, Economics and Planning Division

Mississippi Public Utilities Staff

Summary

Two new rules are proposed by the Mississippi Public Service Commission (MPSC). The first proposed rule is the Mississippi Distributed Generator Interconnection Rule which sets forth standards to establish the technical and procedural requirements for Distributed Generator Facilities to be interconnected and operated in parallel with the Electric Distribution System owned or operated by Electric Distribution Companies in Mississippi under the jurisdiction of the Mississippi Public Service Commission. The second proposed rule is the Mississippi Renewable Energy Net Metering Rule which sets forth technical and procedural requirements for Net Metering on qualified Distributed Generator Facilities. The two proposed rules are inherently interdependent. Without interconnection, net metering is not possible. Without net metering, interconnection is unnecessary. Net metering and interconnection rules (“joint rules”) allow a ratepayer with behind the meter solar electricity generation, for example, to “sell” excess electricity to its electric utility company. Under the joint rules, the utility company would stand ready to make such “purchases” up to some ceiling amount at a rate approved by the Commission that reflects the avoided cost of the utility.

There may be several benefits and costs of the joint rules that can be estimated as well as certain qualitative benefits that may be considered. A report by Synapse Energy Economics, Inc. has estimated that generally the benefits of the rules outweigh the costs (Synapse Energy Economics, Inc., “Net Metering in Mississippi: Costs, Benefits, and Policy Considerations”, Prepared for the Public Service Commission of Mississippi, September 19, 2014; “Synapse Report”). They cite four different methods of estimating benefits/costs (B/C) and argue that the Total Resource Cost Test is preferred. They find benefits of \$170 per Mwh and costs of \$143 per Mwh resulting in a B/C of 1.19 for their mid-range estimates. Several sensitivity tests are employed that indicate that the estimates are stable in the mid-range. Of the fifteen sensitivities across the low, mid and high range cases, only one has a B/C that is less than one. One case has a B/C of 1.01 or essentially a breakeven result.

B/C estimates before implementation of the proposed joint rules are not the same as B/C estimates after the fact. B/C estimates after the fact have the advantage of using data related to actual experiences in Mississippi with the joint rules. In the event that the joint rules are approved and net metering takes place, actual after the fact B/C measurements can and should be calculated periodically to assess effectiveness of the joint rules. MPSC plans to carry out such effectiveness assessments.

This economic impact statement was prepared (December 17, 2014) at the request of the MPSC. Mississippi Statutes require the following eleven areas to be addressed in preparing an economic impact statement.

1. Specific legal authority authorizing the promulgation of the joint rules:

The legal authority is provided for in Miss. Code Ann. 77-3-45.

2. Description of the need for the proposed action:

The joint rules establish the framework required to provide utility technical support and to aid in reducing the cost of solar generation (primarily) for ratepayers who wish to self-supply electricity in Mississippi.

3. Description of the benefits which will likely accrue as the result of the proposed action:

The joint rules may provide ratepayers the option to self-supply electricity at a lower cost and may avoid some generation costs of utilities. The Synapse Report found that under the Total Resource Cost Test the joint rules may provide \$170 per Mwh of benefits against costs of \$143 per Mwh, resulting in a B/C of 1.19. Additionally,

solar generation on a larger scale in Mississippi, given the current very low presence, may provide environmental enhancements and greater fuel diversity for electricity generation.

4. Description of the effect the proposed action will have on the public health, safety and welfare:

The joint rules may provide for public health, safety and welfare of ratepayers who implement solar electric generation and may provide benefits to other ratepayers as well. It is possible that business activity and employment may be increased, which would increase the general welfare. Additionally, the joint rules may promote generation that avoids emissions that federal agencies deem detrimental to public health, potentially reducing the cost of compliance with federal regulations.

5. An estimate of the cost to the agency and to any other state or local government entities of implementing and enforcing the proposed action, including the estimated amount of paperwork, and any anticipated effect on state or local revenues:

The cost to the MPSC, and other governmental agencies, would be very small and can be handled within the current budget. Present employees of the MPSC could handle any additional work. Paperwork cost would be minimal. Essentially someone would be responsible for answering any inquiries about the program and annually checking the filings of utilities to verify compliance with the rules and to assess the effects of the joint rules. State and/or local revenues might be enhanced by potential additional business activity associated with the joint rules.

6. An estimate of the cost or economic benefit to all persons directly affected by the proposed action:

The Synapse Report estimates that benefits outweigh costs, with a stable B/C of about 1.19 in the mid- range (taking account of sensitivities of the model). Stated differently, the joint rules may provide \$170 per Mwh of benefits against costs of \$143 per Mwh.

7. An analysis of the proposed joint rules on small business:

Small businesses that engage in solar electric generation apparatus sales and installation may benefit. Additionally, small businesses may choose to take advantage of the joint rules and self-supply electricity. Such small businesses, like ratepayers who choose to participate, may benefit if the B/C, as indicated in the Synapse Report, are realized.

8. A comparison of the costs and benefits of the proposed joint rules to the probable costs and benefits of not adopting the proposed rules or significantly amending an existing rule:

There is no alternative to the proposed joint rules to address this particular issue. Since B/C is estimated to be positive for the proposed joint rules, it may be reasonable to assume that not acting may have implicit negative effects.

9. A determination of whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed joint rules where reasonable alternative methods exist which are not precluded by law:

There are no reasonable alternative methods to achieve the purpose of the proposed joint rules.

10. A description of reasonable alternative methods, where applicable, for achieving the purpose of the proposed action which were considered by the agency and a statement of reasons for rejecting those alternatives in favor of the proposed joint rules:

There are no reasonable alternative methods to achieve the purpose of the proposed joint rules.

11. A detailed statement of the data and methodology used in making estimates required by this subsection:

Data and methodology discussions are included in the Synapse Report available from the MPSC. A review of a variety of such rules in forty-six states suggests that generally the associated benefits may outweigh costs. There is no indication of substantive continuing complaints or problems in those states. Complaints or problems are not expected in Mississippi, other than those associated with the standard necessary adjustments inherent with new programs.